

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>	Printed Name		License Number	

COTTRELLVILLE TOWNSHIP

St. Clair County, Michigan

FINANCIAL STATEMENTS

March 31, 2006

COTTRELLVILLE TOWNSHIP

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& COMPANY

Certified Public Accountants



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INDEPENDENT AUDITORS' REPORT

To the Township Board
Cottrellville Township, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cottrellville Township as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Cottrellville Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cottrellville Township, as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cottrellville Township's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

Berthiaume & Co.

June 12, 2006

BASIC FINANCIAL STATEMENTS

COTTRELLVILLE TOWNSHIP

STATEMENT OF NET ASSETS

March 31, 2006

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	\$ 1,004,551	\$ 350,054	\$ 1,354,605
Receivables	72,532	201,390	273,922
Restricted cash and cash equivalents	-	97,200	97,200
Capital assets:			
Nondepreciable capital assets	33,800	-	33,800
Depreciable capital assets, net	<u>589,836</u>	<u>1,183,666</u>	<u>1,773,502</u>
 Total assets	 <u>1,700,719</u>	 <u>1,832,310</u>	 <u>3,533,029</u>
 Liabilities:			
Accounts payable and accrued expenses	<u>65,572</u>	<u>102,147</u>	<u>167,719</u>
 Total liabilities	 <u>65,572</u>	 <u>102,147</u>	 <u>167,719</u>
 Net assets:			
Invested in capital assets	623,636	1,183,666	1,807,302
Restricted for:			
Asset replacement	-	97,200	97,200
Unrestricted	<u>1,011,511</u>	<u>449,297</u>	<u>1,460,808</u>
 Total net assets	 <u>\$ 1,635,147</u>	 <u>\$ 1,730,163</u>	 <u>\$ 3,365,310</u>

The accompanying notes are an integral part of these financial statements.

COTTRELLVILLE TOWNSHIP

STATEMENT OF ACTIVITIES

Year Ended March 31, 2006

		Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs	Expenses				
<i>Governmental activities:</i>					
General government	\$ 266,874	\$ 2,742	\$ 1,780	\$ -	\$ (262,352)
Public safety	138,923	32,513	2,080	-	(104,330)
Public works	222,732	140,250	2,107	-	(80,375)
Community and economic development	19,224	-	-	-	(19,224)
Recreation and culture	93,110	1,597	15,638	20,000	(55,875)
Total governmental activities	<u>\$ 740,863</u>	<u>\$ 177,102</u>	<u>\$ 21,605</u>	<u>\$ 20,000</u>	<u>\$ (522,156)</u>
<i>Business-type activities:</i>					
Sewer	\$ 294,831	\$ 182,555	\$ -	\$ 35,534	\$ (76,742)
Water	277,583	302,874	-	36,736	62,027
Total business-type activities	<u>\$ 572,414</u>	<u>\$ 485,429</u>	<u>\$ -</u>	<u>\$ 72,270</u>	<u>\$ (14,715)</u>

continued

The accompanying notes are an integral part of these financial statements.

	Governmental Activities	Business- type Activities	Total
<i>Changes in net assets:</i>			
Net (Expense) Revenue	\$ (522,156)	\$ (14,715)	\$ (536,871)
<i>General revenues:</i>			
Taxes:			
Property taxes, levied for general purpose	89,612	-	89,612
Franchise fees	9,993	-	9,993
Grants and contributions not restricted to specific programs	260,688	-	260,688
Unrestricted investment earnings	26,388	13,265	39,653
Miscellaneous	14,440	-	14,440
Total general revenues	401,121	13,265	414,386
Change in net assets	(121,035)	(1,450)	(122,485)
Net assets, beginning of year	1,756,182	1,731,613	3,487,795
Net assets, end of year	\$ 1,635,147	\$ 1,730,163	\$ 3,365,310

COTTRELLVILLE TOWNSHIP

GOVERNMENTAL FUNDS

BALANCE SHEET

March 31, 2006

	General Fund	Garbage Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 896,829	\$ 94,598	\$ 13,124	\$ 1,004,551
Taxes receivable	7,614	-	-	7,614
Accounts receivable	8,264	-	-	8,264
Special assessments receivable	-	13,187	96	13,283
Due from other governmental units	43,371	-	-	43,371
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 956,078</u>	<u>\$ 107,785</u>	<u>\$ 13,220</u>	<u>\$ 1,077,083</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable and accrued expenses	\$ 52,937	\$ -	\$ 265	\$ 53,202
Due to other governmental units	5,895	-	-	5,895
Deposits payable	6,475	-	-	6,475
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>65,307</u>	<u>-</u>	<u>265</u>	<u>65,572</u>
Fund balances:				
Unreserved:				
General fund	890,771	-	-	890,771
Special revenue funds	-	107,785	12,955	120,740
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>890,771</u>	<u>107,785</u>	<u>12,955</u>	<u>1,011,511</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 956,078</u>	<u>\$ 107,785</u>	<u>\$ 13,220</u>	<u>\$ 1,077,083</u>

The accompanying notes are an integral part of these financial statements.

COTTRELLVILLE TOWNSHIP

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

March 31, 2006

Total fund balances for governmental funds	\$ 1,011,511
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Total net assets reported for governmental activities in the statement of
of net assets is different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the governmental funds.

Governmental capital assets	674,999	
Less accumulated depreciation	<u>(51,363)</u>	<u>623,636</u>

Net assets of governmental activities	<u>\$ 1,635,147</u>
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The accompanying notes are an integral part of these financial statements.

COTTRELLVILLE TOWNSHIP

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2006

	General Fund	Garbage Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 89,612	\$ -	\$ -	\$ 89,612
Licenses and permits	42,506	-	-	42,506
State grants	282,768	-	-	282,768
Contributions from other units	875	-	14,463	15,338
Charges for services	2,442	140,250	1,597	144,289
Interest and rents	26,688	-	-	26,688
Other revenue	16,220	-	2,407	18,627
Total revenues	461,111	140,250	18,467	619,828
Expenditures:				
Current				
General government	232,078	-	-	232,078
Public safety	128,489	-	-	128,489
Public works	82,319	136,455	1,380	220,154
Community and economic development	18,679	-	-	18,679
Recreation and culture	10,058	-	74,457	84,515
Other	39,607	-	-	39,607
Capital outlay	178,268	-	16,858	195,126
Total expenditures	689,498	136,455	92,695	918,648
Excess (deficiency) of revenues over expenditures	(228,387)	3,795	(74,228)	(298,820)
Other financing sources (uses):				
Transfers in	100,000	-	86,000	186,000
Transfers out	(86,000)	-	(100,000)	(186,000)
Total other financing sources (uses)	14,000	-	(14,000)	-
Net change in fund balances	(214,387)	3,795	(88,228)	(298,820)
Fund balances, beginning of year	1,105,158	103,990	101,183	1,310,331
Fund balances, end of year	\$ 890,771	\$ 107,785	\$ 12,955	\$ 1,011,511

The accompanying notes are an integral part of these financial statements.

COTTRELLVILLE TOWNSHIP

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2006

Net change in fund balances - total governmental funds \$ (298,820)

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	195,126	
Less depreciation expense	<u>(17,341)</u>	<u>177,785</u>

Change in net assets of governmental activities \$ (121,035)

The accompanying notes are an integral part of these financial statements.

COTTRELLVILLE TOWNSHIP

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

March 31, 2006

	Sewer Fund	Water Fund	Total
Assets:			
<i>Current assets:</i>			
Cash and cash equivalents	\$ 344,816	\$ 5,238	\$ 350,054
Accounts receivable	66,270	66,723	132,993
Special assessments receivable	<u>33,632</u>	<u>34,765</u>	<u>68,397</u>
 Total current assets	 <u>444,718</u>	 <u>106,726</u>	 <u>551,444</u>
<i>Noncurrent assets:</i>			
Restricted cash and cash equivalents	97,200	-	97,200
Capital assets:			
Depreciable capital assets, net	<u>551,775</u>	<u>631,891</u>	<u>1,183,666</u>
 Total noncurrent assets	 <u>648,975</u>	 <u>631,891</u>	 <u>1,280,866</u>
 Total assets	 <u>1,093,693</u>	 <u>738,617</u>	 <u>1,832,310</u>
Liabilities:			
<i>Current liabilities:</i>			
Accounts payable	18,453	83,629	102,082
Accrued expenses	<u>35</u>	<u>30</u>	<u>65</u>
 Total current liabilities	 <u>18,488</u>	 <u>83,659</u>	 <u>102,147</u>
 Total liabilities	 <u>18,488</u>	 <u>83,659</u>	 <u>102,147</u>
Net assets:			
Invested in capital assets	551,775	631,891	1,183,666
Restricted for:			
Asset replacement	97,200	-	97,200
Unrestricted	<u>426,230</u>	<u>23,067</u>	<u>449,297</u>
 Total net assets	 <u>\$ 1,075,205</u>	 <u>\$ 654,958</u>	 <u>\$ 1,730,163</u>

The accompanying notes are an integral part of these financial statements.

COTTRELLVILLE TOWNSHIP

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended March 31, 2006

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 182,555	\$ 302,874	\$ 485,429
 Total operating revenues	 182,555	 302,874	 485,429
Operating expenses:			
Personnel	7,543	7,006	14,549
Fringe benefits	647	549	1,196
Supplies	783	783	1,566
Sewage treatment	172,609	-	172,609
Purchase of water	-	249,565	249,565
Telephone	1,603	273	1,876
Mileage	652	635	1,287
Dues and membership fees	500	854	1,354
Education and training	-	604	604
Printing and publishing	-	1,424	1,424
Utilities	2,790	-	2,790
Repair and maintenance	79,274	-	79,274
Other services and supplies	61	1,461	1,522
Depreciation	28,369	14,429	42,798
 Total operating expenses	 294,831	 277,583	 572,414
 Operating income (loss)	 (112,276)	 25,291	 (86,985)
Non-operating revenues (expenses):			
Interest income	11,065	2,200	13,265
Special assessments	35,534	36,736	72,270
 Total non-operating revenues (expenses)	 46,599	 38,936	 85,535
 Net income (loss)	 (65,677)	 64,227	 (1,450)
 Net assets, beginning of year	 1,140,882	 590,731	 1,731,613
 Net assets, end of year	 <u>\$ 1,075,205</u>	 <u>\$ 654,958</u>	 <u>\$ 1,730,163</u>

The accompanying notes are an integral part of these financial statements.

COTTRELLVILLE TOWNSHIP

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

Year Ended March 31, 2006

	Sewer Fund	Water Fund	Total
Cash flows from operating activities:			
Cash received from customers	\$ 141,014	\$ 281,547	\$ 422,561
Cash payments to employees	(7,543)	(7,006)	(14,549)
Cash payments to suppliers for goods and services	(248,090)	(225,659)	(473,749)
Net cash provided (used) by operating activities	(114,619)	48,882	(65,737)
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(38,833)	(52,317)	(91,150)
Special assessments	35,534	36,736	72,270
Net cash used by capital and related financing activities	(3,299)	(15,581)	(18,880)
Cash flows from investing activities:			
Interest received	11,065	2,200	13,265
Net cash provided by investing activities	11,065	2,200	13,265
Net increase (decrease) in cash and cash equivalents	(106,853)	35,501	(71,352)
Cash and cash equivalents, beginning of year	548,869	(30,263)	518,606
Cash and cash equivalents, end of year	\$ 442,016	\$ 5,238	\$ 447,254
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (112,276)	\$ 25,291	\$ (86,985)
Adjustments:			
Depreciation	28,369	14,429	42,798
Change in assets and liabilities:			
Accounts receivable	(7,909)	13,438	5,529
Special assessments receivable	(33,632)	(34,765)	(68,397)
Prepaid expenses	4,224	-	4,224
Accounts payable	6,570	30,459	37,029
Accrued expenses	35	30	65
Net cash provided (used) by operating activities	\$ (114,619)	\$ 48,882	\$ (65,737)

The accompanying notes are an integral part of these financial statements.

COTTRELLVILLE TOWNSHIP

FIDUCIARY FUND
STATEMENT OF NET ASSETS
March 31, 2006

	<u>Agency Fund</u>
Assets:	
Cash and cash equivalents	\$ 18,796
 Total assets	 <u>18,796</u>
Liabilities:	
Accounts payable	4,198
Due to other governmental units	<u>14,598</u>
 Total liabilities	 <u>18,796</u>
Net Assets:	
Unrestricted	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

COTTRELLVILLE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Cottrellville Township conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity:

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Township. In evaluating the Township as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Township may be financially accountable and, as such, should be included within the Township's financial statements. The Township (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Township. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There are no component units included in the Township's reporting entity.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government. These statements distinguish between activities that are governmental and those that are business-type activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts (1) invested in capital assets, (2) restricted net assets, and (3) unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

COTTRELLVILLE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

The statement of activities reports both the gross and net cost of each of the Township's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Township does not allocate indirect costs. In creating the government-wide financial statements the Township has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Township as an entity and the change in the Township's net assets resulting from current year activities.

Fund Financial Statements:

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

COTTRELLVILLE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting as are the proprietary funds.

The Township reports the following major governmental funds:

The **General Fund** is the primary operating fund of the Township. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The **Garbage Fund** is used to account for the special assessment levy for the purpose of providing garbage collection services.

The Township reports the following major enterprise funds:

The **Sewer Fund** is used to account for the revenues and expenses for the operation of a sewer system.

The **Water Fund** is used to account for the revenues and expenses for the operation of a water system.

Private-sector standards of accounting and financial reporting issued prior to March 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do no conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

Assets, Liabilities and Equity:

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments, if any, are stated at fair value. For purposes of the statement of cash flows, the Township considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

Interfund Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Inventories and Prepaid Expenditures/Expenses – Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

COTTRELLVILLE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Township defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized if acquired after April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15-50 years
Equipment	5-20 years
Furniture	10 years
Site improvements	15-20 years

Compensated Absences – It is the Township's policy to not permit employees to accumulate earned but unused sick and vacation days. Therefore, no liability is recorded in the government-wide financial statements or the proprietary fund financial statements.

Long-term Obligations – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Eliminations and Reclassifications:

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

COTTRELLVILLE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

Property Taxes:

Township property taxes are attached as an enforceable lien on property as of July 1 for the summer levy and March 1 for the winter levy. Taxes levied July 1 and March 1 are due without penalty on or before September 14 and February 14, respectively. These tax bills include the Township's own property taxes and taxes billed on behalf of the school districts within the Township boundaries and St. Clair County.

The 2005 taxable valuation of the Township totaled \$122,803,963, on which ad valorem taxes levied consisted of .7216 mills for the Township's operating purposes.

The delinquent real property taxes of the Township are purchased by St. Clair County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information:

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, a proposed operating budget by fund for each year is submitted to the Township Board for consideration. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted by adoption of the Township Board.
4. Any revision that alters the total expenditures of any fund must be approved by the Township.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the Township Board is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

Excess of Expenditures over Appropriations in Budgeted Funds:

During the year, the Township incurred no expenditures that were in excess of the amounts budgeted.

COTTRELLVILLE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

State Construction Code Act:

The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus generated since January 1, 2000 is as follows:

Cumulative surplus at April 1, 2005	\$ -
Current year building permit revenue	32,513
Related expenses:	
Direct costs	<u>50,708</u>
Cumulative surplus at March 31, 2006	<u>\$ -</u>

NOTE 3: DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Township Board is in accordance with Public Act 196 of 1997. The Township's deposits and investments have been made in accordance with statutory authority.

The Township's deposits and investments are subject to risk, which is examined in more detail below:

Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$1,508,898 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$600,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits, and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with acceptable estimated risk level are used as depositories.

The Township had no investments at March 31, 2006.

COTTRELLVILLE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

NOTE 4: RESTRICTED ASSETS

Sewer Fund Reserves:

The sewer ordinance of Cottrellville Township requires that, annually, if excess is available after expenses of the Sewer Fund, \$6,480 be placed in an asset replacement fund. The cumulative amount transferred for replacement as of March 31, 2006 is \$97,200. This amount is shown in restricted cash and cash equivalents.

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2006 was as follows:

	<u>April 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>March 31, 2006</u>
Governmental activities:				
Nondepreciable capital assets:				
Land	\$ 33,800	\$ -	\$ -	\$ 33,800
Construction in progress	<u>227,503</u>	<u>-</u>	<u>(227,503)</u>	<u>-</u>
Total nondepreciable capital assets	<u>261,303</u>	<u>-</u>	<u>(227,503)</u>	<u>33,800</u>
Depreciable capital assets:				
Buildings and improvements	29,531	275,632	-	305,163
Equipment and furniture	84,650	21,531	-	106,181
Site improvements	<u>104,389</u>	<u>125,466</u>	<u>-</u>	<u>229,855</u>
Total depreciable capital assets	218,570	422,629	-	641,199
Accumulated depreciation	<u>(34,022)</u>	<u>(17,341)</u>	<u>-</u>	<u>(51,363)</u>
Depreciable capital assets, net	<u>184,548</u>	<u>405,288</u>	<u>-</u>	<u>589,836</u>
Governmental activities, capital assets, net	<u>\$ 445,851</u>	<u>\$ 405,288</u>	<u>\$ (227,503)</u>	<u>\$ 623,636</u>
Business-type activities:				
Depreciable capital assets:				
Equipment	\$ 15,936	\$ -	\$ -	\$ 15,936
Sewer system	1,465,854	38,833	-	1,504,687
Water system	<u>737,861</u>	<u>52,317</u>	<u>-</u>	<u>790,178</u>
Total depreciable capital assets	2,219,651	91,150	-	2,310,801
Accumulated depreciation	<u>(1,084,337)</u>	<u>(42,798)</u>	<u>-</u>	<u>(1,127,135)</u>
Depreciable capital assets, net	<u>1,135,314</u>	<u>48,352</u>	<u>-</u>	<u>1,183,666</u>
Business-type activities, capital assets net	<u>\$ 1,135,314</u>	<u>\$ 48,352</u>	<u>\$ -</u>	<u>\$ 1,183,666</u>

COTTRELLVILLE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 9,279
Recreation and culture	<u>8,062</u>
Total governmental activities	<u>\$ 17,341</u>

Business-type activities:

Sewer	\$ 28,369
Water	<u>14,429</u>
Total business-type activities	<u>\$ 42,798</u>

NOTE 6: DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At March 31, 2006, the Township had no deferred revenue.

NOTE 7: LONG-TERM LIABILITIES

The Township had no long-term liabilities at March 31, 2006.

NOTE 8: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the Township's governmental and business-type activities in the aggregate are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Receivables:		
Property taxes	\$ 7,614	\$ -
Accounts	8,264	132,993
Special assessments	13,283	68,397
Intergovernmental	<u>43,371</u>	<u>-</u>
Total receivables	<u>\$ 72,532</u>	<u>\$ 201,390</u>
Accounts payable and accrued expenses:		
Accounts	\$ 53,202	\$ 102,082
Payroll and related liabilities	-	65
Intergovernmental	5,895	-
Deposits payable	<u>6,475</u>	<u>-</u>
Total accounts payable and accrued expenses	<u>\$ 65,572</u>	<u>\$ 102,147</u>

COTTRELLVILLE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

NOTE 9: INTERFUND TRANSFERS

Interfund transfers reported in the fund statements were as follows:

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
General Fund	Park Fund	\$ 86,000
Improvement Revolving Fund	General Fund	100,000

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 10: RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for these risks of loss. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

NOTE 11: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Pension Plan and Deferred Compensation Plan:

The Township provides a defined contribution plan for three employees. The employees contribute 10% of their gross salary to their deferred compensation plan and the Township contributes 10%. The defined contribution plan is administered by ICMA Retirement. The Township's actual and required contribution as of March 31, 2006 was \$11,595.

The Township offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan permits employees to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseeable emergency.

Post Employment Benefits:

The Township provides no post employment benefits to retirees.

NOTE 12: FUND EQUITY

Specific reservations on fund equity include:

Reserved for asset replacement – This reserve was created to indicate that the portion of retained earnings is not available for appropriation.

REQUIRED SUPPLEMENTAL INFORMATION

COTTRELLVILLE TOWNSHIP

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2006

	Budgeted Amounts			Actual Over (Under)
	Original	Final	Actual	Final Budget
Revenues:				
Property taxes	\$ 99,753	\$ 99,753	\$ 89,612	\$ (10,141)
Licenses and permits	40,000	40,000	42,506	2,506
Federal grants	140,000	140,000	-	(140,000)
State grants	256,700	256,700	282,768	26,068
Contributions from other units	14,500	14,500	875	(13,625)
Charges for services	3,500	3,500	2,442	(1,058)
Interest and rents	12,800	12,800	26,688	13,888
Other revenue	6,600	6,600	16,220	9,620
Total revenues	573,853	573,853	461,111	(112,742)
Expenditures:				
Current				
General government	160,500	232,078	232,078	-
Public safety	148,500	148,500	128,489	(20,011)
Public works	79,700	82,319	82,319	-
Community and economic development	20,200	20,200	18,679	(1,521)
Recreation and culture	13,000	10,058	10,058	-
Other	64,150	64,150	39,607	(24,543)
Capital outlay	53,200	178,268	178,268	-
Total expenditures	539,250	735,573	689,498	(46,075)
Excess (deficiency) of revenues over expenditures	34,603	(161,720)	(228,387)	(66,667)
Other financing sources (uses):				
Transfers in	-	100,000	100,000	-
Transfers out	(90,000)	(90,000)	(86,000)	4,000
Total other financing sources (uses)	(90,000)	10,000	14,000	4,000
Net change in fund balance	(55,397)	(151,720)	(214,387)	(62,667)
Fund balance, beginning of year	1,105,158	1,105,158	1,105,158	-
Fund balance, end of year	\$ 1,049,761	\$ 953,438	\$ 890,771	\$ (62,667)

COTTRELLVILLE TOWNSHIP

SPECIAL REVENUE FUND – GARBAGE FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2006

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Revenues:				
Charges for services	\$ 133,000	\$ 133,000	\$ 140,250	\$ 7,250
Total revenues	133,000	133,000	140,250	7,250
Expenditures:				
Current				
Public works	133,000	136,455	136,455	-
Total expenditures	133,000	136,455	136,455	-
Net change in fund balance	-	(3,455)	3,795	7,250
Fund balance, beginning of year	103,990	103,990	103,990	-
Fund balance, end of year	<u>\$ 103,990</u>	<u>\$ 100,535</u>	<u>\$ 107,785</u>	<u>\$ 7,250</u>

OTHER SUPPLEMENTAL INFORMATION

COTTRELLVILLE TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF REVENUES

Year Ended March 31, 2006

Current taxes:

Property taxes	\$ 88,147
Trailer tax	1,465
	<u>89,612</u>

Licenses and permits:

Nonbusiness licenses and permits	32,513
CATV franchise fees	9,993
	<u>42,506</u>

State grants:

Liquor license fees	2,080
State revenue sharing - sales tax	260,688
Other	20,000
	<u>282,768</u>

Contributions from other units:

Contributions from county	875
	<u>875</u>

Charges for services:

Copies	1,832
Other	610
	<u>2,442</u>

Interest and rents:

Interest	26,388
Rents	300
	<u>26,688</u>

Other revenue:

Contributions and donations	1,780
Reimbursements	1,102
Refunds and rebates	2,426
Other	10,912
	<u>16,220</u>

Total revenues	<u>461,111</u>
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Other Financing Sources:

Transfers from other funds	100,000
	<u>100,000</u>

Total revenues and other financing sources	<u>\$ 561,111</u>
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COTTRELLVILLE TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES

Year Ended March 31, 2006

Expenditures:

General Government:

Board:

Personnel	\$ 3,351
Supplies	1,687
Travel/Mileage	267
Dues and memberships	3,097
Conference and travel	1,437
Printing and publications	52
Other	372
	<u>10,263</u>

Supervisor:

Personnel	21,050
Fringe benefits	151
Supplies	543
Telephone	547
Travel/Mileage	1,128
Dues and memberships	45
Conference and travel	1,024
Other	619
	<u>25,107</u>

Clerk:

Personnel	41,473
Fringe benefits	3,418
Contracted services	3,600
Travel/Mileage	1,185
Dues and memberships	45
Conference and travel	3,984
Printing and publications	1,716
Other	119
	<u>55,540</u>

Audit:

Contracted services	<u>6,482</u>
	6,482

Board of Review:

Personnel	1,650
Printing and publications	172
	<u>1,822</u>

COTTRELLVILLE TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended March 31, 2006

Expenditures, continued:

General Government, continued:

Treasurer:

Personnel	\$ 28,332
Fringe benefits	216
Supplies	2,812
Contracted services	64
Travel/Mileage	490
Conference and travel	4,300
Printing and publications	62
	<u>36,276</u>

Assessor:

Personnel	16,035
Supplies	3,567
Contracted services	2,792
Travel/Mileage	4
Conference and travel	120
Printing and publications	70
Other	725
	<u>23,313</u>

Elections:

Personnel	578
Fringe benefits	34
Contracted services	526
Other	112
	<u>1,250</u>

Hall and Grounds:

Supplies	9,980
Contracted services	11,972
Telephone	4,076
Dues and memberships	50
Conference and travel	536
Printing and publications	157
Insurance	267
Utilities	3,451
Repairs and maintenance	970
Other	12,489
	<u>43,948</u>

Attorney:

Contracted services	2,475
	<u>2,475</u>

Other General Government:

Personnel	13,234
Supplies	11,844
Contracted services	462
Mileage/travel	54
Other	8
	<u>25,602</u>

Total general government	<u>232,078</u>
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COTTRELLVILLE TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended March 31, 2006

Expenditures, continued

Public Safety:

Police/Constable:

Personnel	\$ 1,247
Travel/Mileage	9
	<u>1,256</u>

Fire Department:

Contracted services	<u>76,525</u>
	<u>76,525</u>

Building Inspection Department:

Personnel	49,325
Supplies	42
Contracted services	648
Travel/Mileage	288
Conference and travel	272
Other	133
	<u>50,708</u>

Total public safety	<u>128,489</u>
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Public Works:

Department of Public Works:

Personnel	1,397
Supplies	484
Contracted services	4,700
Telephone	31
Travel/Mileage	56
	<u>6,668</u>

Water Shed Council:

Contracted services	<u>6,804</u>
	<u>6,804</u>

Drains - Public Benefit:

Contracted services	<u>15,185</u>
	<u>15,185</u>

Roads:

Supplies	11,589
Contracted services	<u>13,038</u>
	<u>24,627</u>

Street Lighting:

Utilities	<u>4,137</u>
	<u>4,137</u>

COTTRELLVILLE TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended March 31, 2006

Expenditures, continued

Public Works, continued:

Water District:

Personnel	\$ 1,448
Fringe benefits	25
Contracted services	23,425
	<u>24,898</u>

Total public works 82,319

Community and Economic Development:

Planning, Zoning and Appeals:

Personnel	3,541
Contracted services	9,766
Conference and travel	238
Printing and publications	4,836
Other	298
	<u>18,679</u>

Total community and economic development 18,679

Recreation and Culture:

Parks and Recreation Department:

Contracted services	7,000
Other	1,142
	<u>8,142</u>

Senior and Youth:

Other	1,500
	<u>1,500</u>

Historical Society:

Supplies	16
Other	400
	<u>416</u>

Total recreation and culture 10,058

Other:

Insurance	13,633
Retirement	11,595
Payroll taxes	14,379
	<u>39,607</u>

Total other 39,607

COTTRELLVILLE TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended March 31, 2006

Expenditures, continued

Capital Outlay:

General government	\$ 178,268
	<u>178,268</u>

Total capital outlay	<u>178,268</u>
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Total expenditures	<u>689,498</u>
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Other Financing Uses:

Transfers to other funds	86,000
	<u>86,000</u>

Total expenditures and other financing uses	<u>\$ 775,498</u>
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COTTRELLVILLE TOWNSHIP

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

March 31, 2006

	<u>Park Fund</u>	<u>Cherry Beach Lighting Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets:			
Cash and cash equivalents	\$ 12,070	\$ 1,054	\$ 13,124
Special assessments receivable	<u>-</u>	<u>96</u>	<u>96</u>
 Total assets	 <u>\$ 12,070</u>	 <u>\$ 1,150</u>	 <u>\$ 13,220</u>
 Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued expenses	<u>\$ 150</u>	<u>\$ 115</u>	<u>\$ 265</u>
 Total liabilities	 <u>150</u>	 <u>115</u>	 <u>265</u>
 Fund balances:			
Unreserved:			
Special revenue funds	<u>11,920</u>	<u>1,035</u>	<u>12,955</u>
 Total fund balances	 <u>11,920</u>	 <u>1,035</u>	 <u>12,955</u>
 Total liabilities and fund balances	 <u>\$ 12,070</u>	 <u>\$ 1,150</u>	 <u>\$ 13,220</u>

COTTRELLVILLE TOWNSHIP

NONMAJOR GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2006

	Park Fund	Cherry Beach Lighting Fund	Improvement Revolving Fund	Total Nonmajor Governmental Funds
Revenues:				
Contributions from other units	\$ 14,463	\$ -	\$ -	\$ 14,463
Charges for services	1,597	-	-	1,597
Other revenue	1,175	1,232	-	2,407
	<u>17,235</u>	<u>1,232</u>	<u>-</u>	<u>18,467</u>
Total revenues				
	<u>17,235</u>	<u>1,232</u>	<u>-</u>	<u>18,467</u>
Expenditures:				
Current				
Public works	-	1,380	-	1,380
Recreation and culture	74,457	-	-	74,457
Capital outlay	16,858	-	-	16,858
	<u>91,315</u>	<u>1,380</u>	<u>-</u>	<u>92,695</u>
Total expenditures				
	<u>91,315</u>	<u>1,380</u>	<u>-</u>	<u>92,695</u>
Excess (deficiency) of revenues over expenditures	(74,080)	(148)	-	(74,228)
	<u>(74,080)</u>	<u>(148)</u>	<u>-</u>	<u>(74,228)</u>
Other financing sources (uses):				
Transfers in	86,000	-	-	86,000
Transfers out	-	-	(100,000)	(100,000)
	<u>86,000</u>	<u>-</u>	<u>(100,000)</u>	<u>(14,000)</u>
Total other financing sources (uses)				
	<u>86,000</u>	<u>-</u>	<u>(100,000)</u>	<u>(14,000)</u>
Net change in fund balance				
	<u>11,920</u>	<u>(148)</u>	<u>(100,000)</u>	<u>(88,228)</u>
Fund balances, beginning of year				
	<u>-</u>	<u>1,183</u>	<u>100,000</u>	<u>101,183</u>
Fund balances, end of year				
	<u>\$ 11,920</u>	<u>\$ 1,035</u>	<u>\$ -</u>	<u>\$ 12,955</u>

COTTRELLVILLE TOWNSHIP

FIDUCIARY FUND – AGENCY FUND

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

March 31, 2006

Property Tax Collection Fund

	<u><i>April 1, 2005</i></u>	<u><i>Additions</i></u>	<u><i>Deductions</i></u>	<u><i>March 31, 2006</i></u>
Assets:				
Cash and cash equivalents	<u>\$ 12,690</u>	<u>\$ 3,094,755</u>	<u>\$ 3,088,649</u>	<u>\$ 18,796</u>
Liabilities:				
Accounts payable	<u>\$ 12,690</u>	<u>\$ 251,882</u>	<u>\$ 260,374</u>	<u>\$ 4,198</u>
Due to other governmental units	<u>-</u>	<u>2,842,873</u>	<u>2,828,275</u>	<u>14,598</u>
 Total liabilities	<u> \$ 12,690</u>	<u> \$ 3,094,755</u>	<u> \$ 3,088,649</u>	<u> \$ 18,796</u>



June 12, 2006

To The Township Board
Cottrellville Township

We have audited the financial statements of Cottrellville Township for the year ended March 31, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

We conducted our audit of the financial statements of Cottrellville Township in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as “the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.”

An independent auditor’s objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor’s work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, “in our opinion.”

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Cottrellville Township are described in Note 1 to the financial statements. We noted no transactions entered into by Cottrellville Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Other Communications

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management’s current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have significant issues, regarding these matters, to report to you, as follows:

Difficulties Encountered

- The cash book balances had not been fully reconciled to the bank balances. It appears the Township has been reconciling the general ledger transactions, for the general checking account, to the bank statement. The account balance, however, has not been agreed/reconciled between book and bank. The account balances, as you know, should be reconciled every month.
- The Township, as you know, implemented the new BS & A general ledger software for 2005-2006. We noted there were many transaction corrections and reclassifications that probably are attributable to the difficult process of implementing the new software. The audit trail, in the general ledger, as a result, was very difficult to follow. Many transaction references did not provide clear explanations.
- The Employer Quarterly Reports, Form 941, were prepared incorrectly. We were not able to fully reconcile various amounts reported there to the payroll earnings reports or the general ledger.
- In order to complete the audit, it became necessary for us to prepare a detailed worksheet to determine the current balance receivable on each Carroll Street special assessment property. It is the Township's responsibility to have this basic bookkeeping information prepared and available to us.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated June 12, 2006.

Summary

We welcome any questions you may have regarding the foregoing.

Sincerely,

Berthiaume & Co.

Berthiaume & Company
Certified Public Accountants